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Prices of farm products in 1949 are likely to average slightly lower than in 1948 and farmers' net income probably will be off for the second straight year.

Outlook for a decline in net income stems from fact that farmers' gross income is leveling off while many production expenses are continuing upward.

Total farm expenses this year probably are up almost 8 percent from 1947. Next year, feed costs will be much lower but prices of most other production items probably will continue up. Costs in 1949 probably will be about as high as this year.

Estimates for this year indicate that cash receipts from farm marketings will be down slightly from the 30.2 billion dollars received in 1947; that net income will drop over a billion from the 17.8 billions of last year. Similar declines are likely in 1949.

Even though net income apparently has passed its peak, next year's total will be above any year before 1946 and 3 times prewar.

No significant decline in economic activity is expected in 1949. Exceptionally strong demand for farm products has been due to the postwar boom at home and large needs abroad. Four major forces characterized the boom:

1. High consumer expenditures. This was possible because of nearly full employment, advancing wage rates, largest individual holdings of liquid assets in history.
2. Increasing private domestic investments. This includes new housing and outlays by business for plant and equipment. In 1948, these expenditures are almost 5 times prewar.
3. Excess of U. S. exports over imports. This year about 18.5 billion dollars worth of goods and services are expected to be exported, about 6 percent less than in 1947. Imports will be up moderately from the 8.5 billion dollars of 1947 but again will be far short of exports.
4. Government spending. Federal expenditures are up substantially this year because of defense and foreign aid programs. State and local governments are spending more for schools, streets, highways and other services.

These factors are expected to total about as large in 1949 as in 1948.

Defense and foreign aid spending is increasing; will continue to do so in the first half of next year. This could lead to further inflation in prices of nonagricultural products.

Appropriations for these purposes in 1949-50 will be made next year. If a change in the foreign situation leads to substantial cutbacks, demand for farm products could weaken in 1949. However, expenditures by State and local governments will continue to increase.

There also is uncertainty as to extent that backlog demands for goods are being worked off. Consumers showed a tendency to return to more normal spending patterns in 1948. Deferred demands for shoes, textiles and some durable goods have been largely met. However, shortages of several major products, particularly automobiles and houses, still exist.

Evidence also indicates that business may spend less for plants and equipment in 1949.

Best outlook seems to be that increasing government expenditures will about offset declines in private business. As a result, demand for farm products will continue strong. Prices of farm products next year may average close to 1948 levels.

Prices of most major farm crops already have fallen to, or are approaching, support levels. Next year, support prices for the basic crops -- corn, wheat, cotton, rice, peanuts and tobacco -- will continue at 90 percent of parity. As a result, only minor declines in prices of these products could occur, even though 1949

production is heavy. Under existing laws, however, supports for other crops can be set at lower levels than in 1948.

Record feed crops this year will lead to increased supplies of livestock products with some decline in prices likely in the second half of 1949.

LIVESTOCK AND MEAT More pork and less beef is in prospect for 1949. Total meat supplies will be close to the 145 pounds per civilian estimated for this year.

The fall pig crop may be a little larger than last year's but next spring's crop may be up at least 15 percent from a year earlier because of record corn supplies. On the other hand, the decline in cattle inventories, now in its fourth year, will mean smaller beef production.

DAIRY PRODUCTS Large supplies and lower prices for feeds may halt the decline in the number of milk cows by the end of 1949. Milk output per cow probably will exceed the record of 5,000 pounds estimated for this year with total output also higher. Prices are likely to average about the same as in 1948.

Declines in feed costs probably will more than offset any gains in other costs. As a result, net income of dairymen is likely to be about the same, or a little greater, than in 1948.

POULTRY AND EGGS During the first half of 1949, prices farmers receive for eggs probably will average slightly higher than in the same period of 1948; in the last half they are likely to be lower. Production is likely to follow the opposite pattern -- lower in the first half; higher in the second. Chicken and turkey output next year is likely to exceed 1948. Prices are likely to average lower than this year.

Total returns from sales of poultry products in 1949 probably will be slightly lower than in 1948. However, lower feed prices are likely to more than offset drop in receipts and net incomes of poultymen may be higher.

FATS AND OILS In the year beginning October 1, output of fats and oils from domestic materials may be about half a billion pounds larger than the 9.9 billion pounds of 1947-48. As a result, fats and oils prices may average lower in 1948-49.

FEEDS Feed supply prospects for 1948-49 feeding season are about the best in history. Total feed concentrate supply will be about 166 million tons, more than a fifth larger than in 1947-48, only a little smaller than the 1942-43 peak, and a record compared to number of livestock to be fed.

Chiefly because of increased output, feed prices are expected to average much lower than in last feeding season.

WHEAT After allowing for domestic use, this year's wheat supply will provide around 730 million bushels for export and carry-over. Crop is being exported rapidly but not as much is likely to be shipped abroad as last year. As a result, carryover next July 1 may be around 275 million bushels compared with 195 millions on hand last July 1.

FRUITS AND VEGETABLES Consumer demand for fruit in 1949 is expected to be about as strong as this year. However, prices are likely to average lower if supplies are larger than the below average supplies of 1948.

Demand for fresh vegetables in the first half of 1949 is expected to be about as strong as this year. Since production is expected to be larger than in 1948, prices received by farmers for most crops may average lower in most months of 1949 than a year earlier.

Prospects are that support prices for the 1949 potato crop will be lower than for the 1948 crop. As a result, prices to farmers probably will be substantially lower than this year. Little change in consumer demand is expected.

Sweetpotatoes from this year's crop are likely to bring a slightly higher average price than those from 1947 crop.

COTTON AND WOOL Use of cotton by domestic mills, which dropped from 10 million bales in 1946-47 to 9.3 millions the past season, is likely to decline further in 1948-49. On the other hand, exports of raw cotton are likely to pick up considerably from last season's total of 2.0 million bales, the lowest for any year since the Civil War.

World demand for wool is expected to continue strong in 1948-49. World consumption probably will exceed production and a further reduction in stocks will take place.

TOBACCO Increasing use of cigarettes here and abroad will up demand for cigarette-type tobacco in 1949. More smoking tobacco may be used. Consumer demand for cigars and snuff probably will equal or slightly exceed 1948. Use of chewing tobacco may fall off in line with long-time trend. Exports of leaf tobacco, especially of flue-cured, are expected to increase in line with European recovery.

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